

NEW APPLICATION
ORIGINAL
RECEIVED



0000012735

COMMISSIONERS

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WILLIAM A. MUNDELL
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MIKE GLEASON
KRISTIN K. MAYES

2004 OCT 27 P 3:31
AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED
OCT 27 2004
DOCKETED BY

W-01445A-04-0773

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, TO EXTEND
ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY AT
CASA GRANDE, PINAL COUNTY,
ARIZONA

DOCKET NO. W-01445A-04-

APPLICATION TO EXTEND
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
INCLUDE ADDITIONAL TERRITORY

ARIZONA WATER COMPANY, an Arizona corporation, ("AWC") through its undersigned counsel, presents the following Application to extend its existing Certificate of Convenience and Necessity ("CC&N") for its Casa Grande system. This Application is based on the following:

1. AWC presently holds CC&Ns issued to it by the Arizona Corporation Commission (the "Commission") in various decisions beginning in 1955 for the purpose of providing water service in the City of Casa Grande and the surrounding area in Pinal County.

2. The area that AWC seeks to add to its CC&N is described in Exhibit #1 hereto. The area surrounding the area described in Exhibit #1 is already certificated to and served by AWC. Diamond Ventures, Inc., the owner of the majority of the property described in Exhibit #1, requested AWC to provide water service to its property, part of which is already included in AWC's CC&N, and apply to the Commission to include the rest of its property within AWC's CC&N. A copy of a letter from Diamond Ventures, Inc.

ORIGINAL

1 is attached as Exhibit #2 hereto. AWC presently owns and operates water system
2 facilities in the vicinity of the area described in Exhibit #1 that are used to serve
3 customers in the area, and will be used to provide service to future customers.

4 3. AWC estimates that the total number of customers that may be served in
5 the area described in Exhibit #1 will be approximately 2500 within five years following
6 the date of the filing of this Application.

7
8 4. A map showing AWC's present certificated areas is attached as Exhibit #3
9 hereto and a map showing the territory to be added by this Application is attached as
10 Exhibit #4 hereto.

11 5. A list of the owners of all of the property described in Exhibit #1 is attached
12 as Exhibit #5 hereto. Each property owner will be mailed the public notice attached as
13 Exhibit #6 hereto.

14 6. AWC is financially able to construct, operate, and maintain the facilities
15 necessary to provide service to the area described in Exhibit #1. A current financial
16 statement for AWC is attached as Exhibit #7 hereto.

17
18 7. AWC operates and maintains its water system within the City of Casa
19 Grande pursuant to permits issued by the City and not pursuant to franchise, in
20 accordance with AR.S 40-282.B which provides that an applicant for a certificate shall
21 submit to the Commission evidence to show:

22 "... that the applicant has received the required consent, franchise
23 or permit of the proper county, city and county, municipal or other
24 public authority." (emphasis supplied)

25
26 Attached as Exhibit #8 hereto is a letter to AWC from the City evidencing the City's
27 consent to AWC's operation of its facilities within City rights-of-way. Since the date of
28

1 the letter, AWC has operated its water system in the City pursuant to permits from the
2 City. In addition, in AWC's most recent application to expand its CC&N within the City,
3 the Commission approved the foregoing permit procedure. (See Decision No. 66894,
4 Finding of Fact No. 11 (April 6, 2004)).

5 8. AWC's by-laws do not require a corporate resolution on behalf of AWC in
6 conjunction with this Application.
7

8 9. Public convenience and necessity will be served by having AWC extend its
9 CC&N to include the area described in Exhibit #1.

10 10. AWC proposes to utilize its currently authorized rates and charges for its
11 Casa Grande system for service to the area described in Exhibit #1. AWC will continue
12 to charge these rates until the Commission changes the rates.

13 WHEREFORE, AWC respectfully requests that the Commission hold a hearing
14 on this Application, and enter an order, or, in the alternative, that it enter an order
15 without the necessity of a hearing, which order shall provide for the following:
16

17 1. Issuing to AWC a certificate of convenience and necessity for the areas
18 described in Exhibit #1 hereto.

19 2. Granting such other further and general relief as appropriate in the
20 premises.

21 RESPECTFULLY SUBMITTED this 27th day of October, 2004.
22
23
24
25
26
27
28

ARIZONA WATER COMPANY

By: Robert W. Geake
Robert W. Geake
Vice President and General Counsel
ARIZONA WATER COMPANY
Post Office Box 29006
Phoenix, Arizona 85038-9006

Original and thirteen (13) copies of the foregoing filed the 7th day of October, 2004
with:

Docket Control Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

A copy of the foregoing was mailed this 7th day of October, 2004 to:

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: Robert W. Geake

Exhibit "1"

Legal Description - Phase 1 Boundary

That portion of Section 28 & 33, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

BEGINNING at the Southwest corner of said Section 33, said corner bears South 89 Degrees 59 Minutes 04 Seconds West, a distance of 2,648.88 feet from the South quarter corner of said Section;

Thence North 00 Degrees 07 Minutes 16 Seconds West, along the West line of said Section 33, a distance of 2,640.55 feet to the West quarter corner of said Section 33;

Thence North 00 Degrees 07 Minutes 46 Seconds West, along the West line of said Section 33, a distance of 2,640.48 feet to the Northwest corner of said Section 33, said corner also being the Southwest corner of said Section 28;

Thence North 00 Degrees 18 Minutes 38 Seconds West, along the West line of said Section 28, a distance of 438.12 feet;

Thence North 89 Degrees 44 Minutes 38 Seconds East, a distance of 1,534.53 feet to a point on a non-tangent curve, concave to the Northwest, having a radius of 35.00 feet, the center of which bears North 00 Degrees 15 Minutes 35 Seconds West;

Thence northerly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet to a point of tangency;

Thence North 89 Degrees 44 Minutes 25 Seconds East, a distance of 80.00 feet to a point on a non-tangent curve, concave to the Northeast, having a radius of 35.00 feet, the center of which bears North 89 Degrees 44 Minutes 25 Seconds East;

Thence easterly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet, to a point of tangency;

Thence South 00 Degrees 15 Minutes 35 Seconds East, a distance of 110.00 feet to a point on a non-tangent curve, concave to the Southeast, having a radius of 35.00 feet, the center of which bears South 00 Degrees 15 Minutes 35 Seconds East;

Thence southerly along said curve, through a central angle of 90 Degrees 00 Minutes 00 Seconds, an arc length of 54.98 feet, to a point of tangency;

Thence South 00 Degrees 15 Minutes 35 Seconds East, a distance of 210.64 feet to a point on a tangent curve, concave to the East, having a radius of 1,640.00 feet, the center of which bears North 89 Degrees 44 Minutes 25 Seconds East;

Thence southerly along said curve, through a central angle of 13 Degrees 13 Minutes 12 Seconds, an arc length of 378.40 feet, to a point of tangency;

Thence South 13 Degrees 28 Minutes 47 Seconds East, a distance of 480.47 feet, to a point on a tangent curve, concave to the Southwest, having a radius of 1,739.51 feet, the center of which bears South 76 Degrees 31 Minutes 13 Seconds West;

Thence southeasterly along said curve, through a central angle of 04 Degrees 55 Minutes 09 Seconds, an arc length of 149.35 feet to a point of non-tangency;

Thence South 89 Degrees 59 Minutes 17 Seconds East, a distance of 642.77 feet;

Thence South 89 Degrees 25 Minutes 28 Seconds East, a distance of 63.47 feet;

Thence South 86 Degrees 50 Minutes 34 Seconds East, a distance of 65.41 feet;

Thence South 84 Degrees 03 Minutes 51 Seconds East, a distance of 65.41 feet;

Thence South 81 Degrees 17 Minutes 08 Seconds East, a distance of 65.41 feet;

Thence South 78 Degrees 20 Minutes 04 Seconds East, a distance of 72.85 feet;

Thence South 75 Degrees 52 Minutes 02 Seconds East, a distance of 44.00 feet;

Thence South 73 Degrees 24 Minutes 01 Seconds East, a distance of 72.84 feet;

Thence South 70 Degrees 26 Minutes 58 Seconds East, a distance of 65.41 feet;

Thence South 67 Degrees 40 Minutes 15 Seconds East, a distance of 65.41 feet;

Thence South 64 Degrees 53 Minutes 32 Seconds East, a distance of 65.41 feet;

Thence South 62 Degrees 06 Minutes 49 Seconds East, a distance of 65.41 feet;

Thence South 59 Degrees 20 Minutes 06 Seconds East, a distance of 65.41 feet;

Thence South 56 Degrees 35 Minutes 31 Seconds East, a distance of 64.71 feet;

Thence South 55 Degrees 31 Minutes 50 Seconds East, a distance of 554.00 feet;

Thence South 34 Degrees 28 Minutes 10 Seconds West, a distance of 735.00 feet;

Thence South 21 Degrees 42 Minutes 09 Seconds West, a distance of 173.28 feet;

Thence South 21 Degrees 42 Minutes 09 Seconds West, a distance of 166.11 feet;

Thence South 34 Degrees 28 Minutes 10 Seconds West, a distance of 1,634.34 feet to a point on a non-tangent curve, concave to the Northeast, having a radius of 1,220.00 feet, the center of which bears North 27 Degrees 30 Minutes 07 Seconds East;

Thence easterly along said curve, through a central angle of 30 Degrees 28 Minutes 55 Seconds, an arc length of 649.05 feet, to a point of tangency;

Thence South 02 Degrees 34 Minutes 51 Seconds East, a distance of 80.00 feet to a point on a non-tangent curve, concave to the Southeast, having a radius of 15.00 feet, the center of which bears South 02 Degrees 35 Minutes 57 Seconds East;

Thence southerly along said curve, through a central angle of 87 Degrees 35 Minutes 10 Seconds, an arc length of 22.93 feet, to a point of tangency;

Thence South 00 Degrees 11 Minutes 07 Seconds East, a distance of 274.64 feet to a point on a tangent curve, concave to the West, having a radius of 740.00 feet, the center of which bears South 89 Degrees 48 Minutes 53 Seconds West;

Thence southerly along said curve, through a central angle of 21 Degrees 15 Minutes 17 Seconds, an arc length of 274.50 feet, to a point of tangency;

Thence South 21 Degrees 04 Minutes 10 Seconds West, a distance of 228.92 feet to a point on a tangent curve, concave to the Southeast, having a radius of 660.00 feet, the center of which bears South 68 Degrees 55 Minutes 50 Seconds East;

Thence southerly along said curve, through a central angle of 21 Degrees 05 Minutes 06 Seconds, an arc length of 242.88 feet, to a point of tangency;

Thence South 00 Degrees 00 Minutes 56 Seconds East, a distance of 227.58 feet to a point on a tangent curve, concave to the Northeast, having a radius of 35.00 feet, the center of which bears North 89 Degrees 59 Minutes 04 Seconds East;

Thence southerly along said curve, through a central angle of 90 Degrees 00 Minutes 04 Seconds, an arc length of 54.98 feet, to a point;

Thence South 00 Degrees 01 Minutes 00 Seconds East, a distance of 70.00 feet;

Thence South 89 Degrees 59 Minutes 00 Seconds West, a distance of 75.00 feet;

Thence South 89 Degrees 59 Minutes 04 Seconds West, a distance of 2,648.88 feet to THE POINT OF BEGINNING.

EXCEPT those portions already in Arizona Water Company's Certificate of Convenience and Necessity, described as follows:

The South half of the Northwest quarter of Section 33, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, and

The Southwest quarter of the Southwest quarter of the Southwest quarter of Section 28, Township 5 South, Range 6 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, Except any portion lying North of the North boundary line of the above-described Phase 1 Boundary.

Exhibit "2"

LEWIS
AND
ROCA
—LLP—
LAWYERS

Phoenix Office
40 North Central Avenue
Phoenix, Arizona 85004-4429
Telephone (602) 262-5311
Facsimile (602) 262-5747

Tucson Office
One South Church Avenue
Suite 700
Tucson, Arizona 85701-1611
Telephone (520) 622-2090
Facsimile (520) 622-3088

Las Vegas Office
3993 Howard Hughes Parkway
Suite 600
Las Vegas, Nevada 89109
Telephone (702) 949-8200
Facsimile (702) 949-8398

Michael F. McNulty
Direct Dial: 520 629-4453
Direct Fax: 520 879-4732
E-Mail: Michael_McNulty@lrlaw.com
Admitted in Arizona, District of Columbia

Our File Number 30778-00147

May 25, 2004

RECEIVED

MAY 28 2004

ARIZONA WATER COMPANY
PHOENIX - EXECUTIVE

Mr. Bill Garfield
President
Arizona Water Company
3805 N. Black Canyon Hwy
P.O. Box P.O. Box 29006
Phoenix, AZ 85038-9006

Re: Request for Service
Villago/Phase One

Dear Bill:

On behalf of Diamond Ventures, Inc., I am writing to request that the Arizona Water Company file an application with the ACC to extend your Certificate of Convenience and Necessity in or near the City of Casa Grande, in order to include all of Phase One of the master planned community known as Villago. Tom Sloot is under the impression that you already have a legal description of the property in question, but please have someone call me if that is not the case, and I can have it express delivered to you. If you have any questions, please feel free to contact me or Mr. Tom Sloot at 602-224-2335.

I also attach what I believe to be AWC's form service agreement (Document No. 135461v4). I would appreciate your confirming that these documents should be used to develop a Main Extension Agreement under which the developer will build the on-site infrastructure to serve subdivisions within Villago. As DVI's current agreement with Casa Grande provides for a 10%/year refund for twenty years, I have made that one change to what I believe is your company's form agreement.

I look forward to working with you.

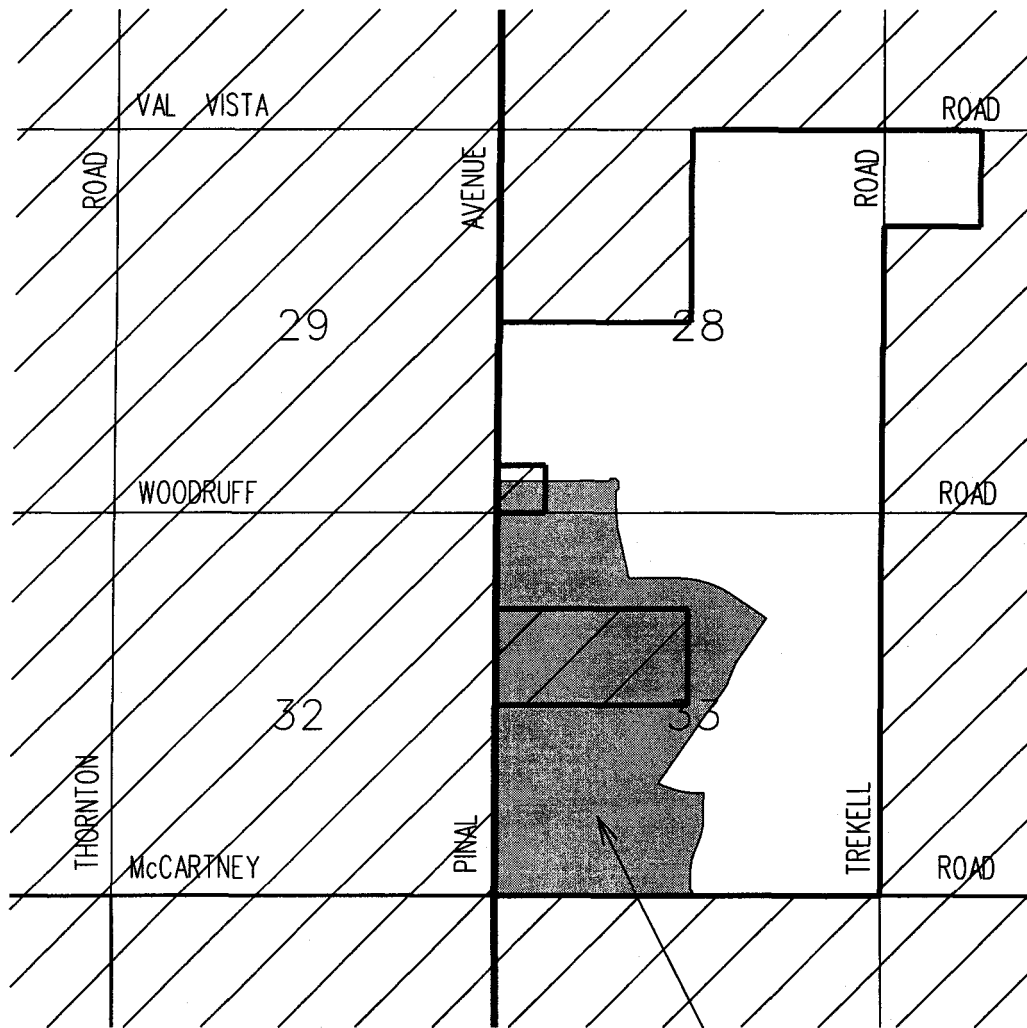
Sincerely yours,



Michael F. McNulty

MFm/kkm

Exhibit "4"



CC&N This Application



Present Arizona Water Company CC&N

VILLAGO, Phase 1

ARIZONA WATER COMPANY

DESCRIPTION:

Application For CC&N To Include Portions Of Sections 28 and 33 of Township 5 South, Range 6 East, G.S.R.B.&M., Pinal County, Az.

LOCATION:

CASA GRANDE, ARIZONA

DATE:

08.17.2004

SCALE:

1" = 1/2 Mile

DRAWN BY:

CB

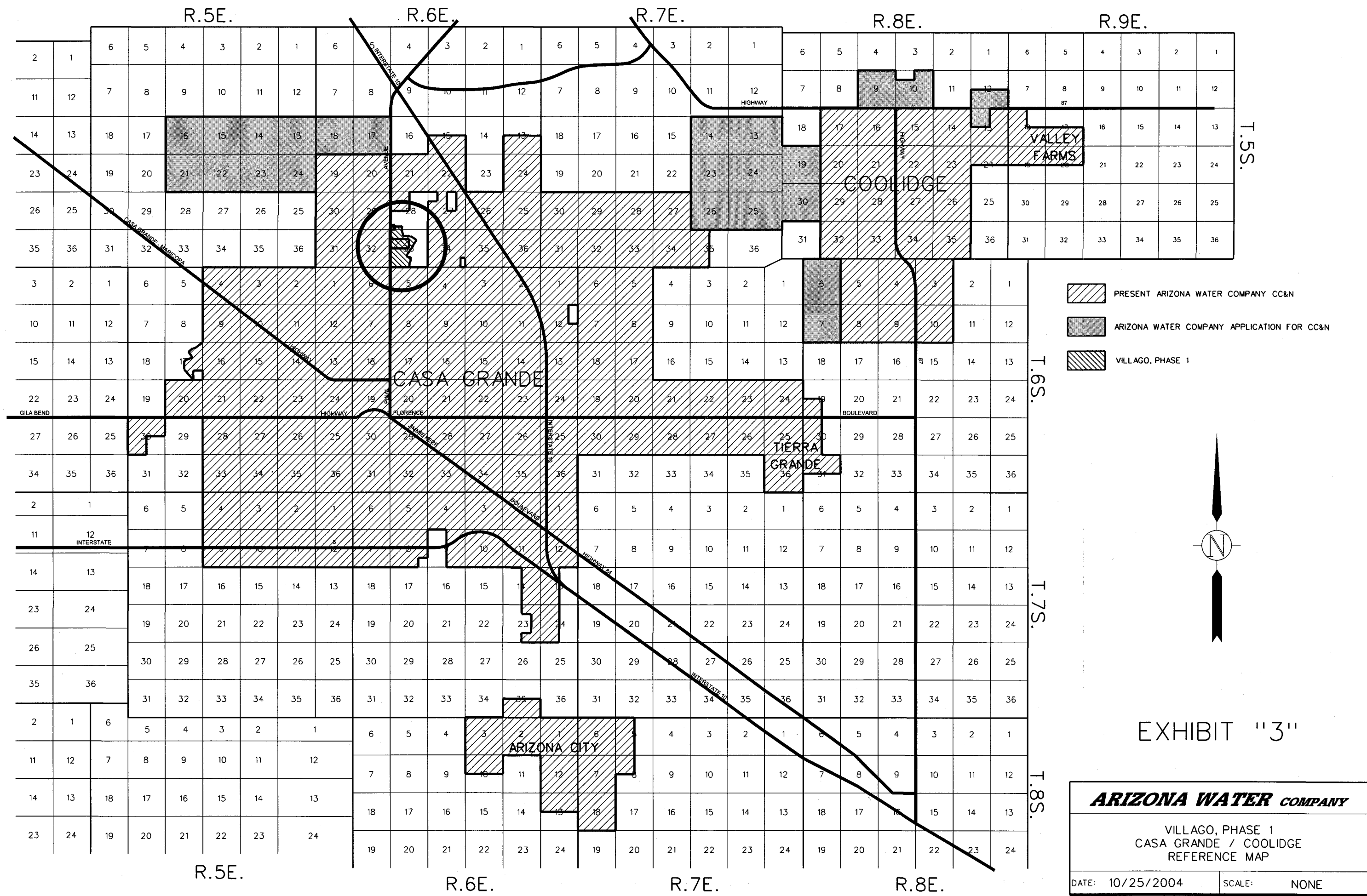


Exhibit "5"

Property Ownership

Section 28 – T.5S.,R.6E.

509-45-006

509-45-007

Casa Grande Acquisitions LLC

2730 East Broadway

Suite 100

Tucson, Arizona 85716

Section 33 – T.5S.,R.6E.

509-67-009

509-67-010

509-67-013

509-67-015

Casa Grande Acquisitions LLC

2730 East Broadway

Suite 100

Tucson, Arizona 85716

EXHIBIT "6"

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

[Date]

«PropertyOwner»

«Address1»

«Address2»

«City» «State» «PostalCode»

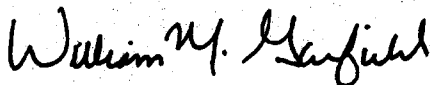
PINAL COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

**PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY BY ARIZONA WATER COMPANY**

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 220 East 2nd Street, Casa Grande, Arizona.

The Commission may hold a hearing on this matter. As a property owner you may have the right to intervene in the proceeding or you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless you request it.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



William M. Garfield
President

E-MAIL: mail@azwater.com

ARIZONA WATER COMPANY
Comparative Balance Sheet
at August 31, 2004

ASSETS

	Aug. 31, 2004	Aug. 31, 2003	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 217,388,141	\$ 204,334,928	\$ 13,053,213
Less Accumulated Depreciation	55,167,557	50,708,665	4,458,892
Net Utility Plant	162,220,584	153,626,263	8,594,321
CURRENT ASSETS			
Cash on Hand and in Banks	3,067,821	435,167	2,632,654
Investments and Special Deposits	2,703	2,703	0
Accounts Receivable	2,593,636	2,770,050	(176,414)
Materials and Supplies	264,642	280,936	(16,294)
Other	445,584	347,102	98,482
Total Current Assets	6,374,386	3,835,958	2,538,428
DEFERRED DEBITS			
	5,865,254	6,091,255	(226,001)
TOTAL	\$ 174,460,224	\$ 163,553,476	\$ 10,906,748

LIABILITIES

CAPITALIZATION			
Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	9,087,347	8,970,647	116,700
Retained Earnings	50,420,055	48,265,545	2,154,510
Common Stock Equity			
Long-Term Debt	62,207,402	59,936,192	2,271,210
Total Capitalization	21,800,000	22,200,000	(400,000)
CURRENT LIABILITIES			
Notes Payable	84,007,402	82,136,192	1,871,210
Accounts Payable	0	0	0
Accrued Expenses	2,763,030	2,291,989	471,041
Other	4,056,877	3,163,843	893,034
Total Current Liabilities	529,299	450,044	79,255
DEFERRED CREDITS			
Advances for Construction	7,349,206	5,905,876	1,443,330
Contributions in Aid of Construction			
Deferred Income Tax	38,469,703	36,140,213	2,329,490
Other	22,147,484	21,029,338	1,118,146
Total Deferred Credits	15,604,966	13,717,167	1,887,799
	6,881,463	4,624,690	2,256,773
TOTAL	\$ 174,460,224	\$ 163,553,476	\$ 10,906,748

AUGUST 2004

ARIZONA WATER COMPANY
Comparative Statement of Income
August 31, 2004

	12 MONTHS TO DATE		AUGUST		8 Months to Date	
	2004	2003	2004	2003	2004	2003
OPERATING REVENUE	\$ 39,063,495	\$ 37,237,595	\$ 3,891,316	\$ 3,615,583	\$ 26,462,422	\$ 24,944,231
OPERATING EXPENSES						
Operation and Maintenance	18,286,833	17,553,306	1,571,085	1,535,452	12,323,189	11,808,343
Depreciation	4,641,442	4,419,154	398,489	378,725	3,212,494	3,042,131
Taxes Other Than Income Taxes	5,570,127	5,334,498	515,024	489,981	3,799,816	3,632,957
Income Taxes	3,222,798	2,598,006	520,818	426,380	2,457,730	1,979,948
Total Operating Expenses	31,721,200	29,904,964	3,005,416	2,830,538	21,793,229	20,463,379
OPERATING INCOME	7,342,295	7,332,631	885,900	785,045	4,669,193	4,480,852
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	(233,880)	(262,733)	(32,936)	(176)	(226,947)	(135,016)
Interest on Long-Term Debt	1,861,717	1,898,716	152,317	155,400	1,240,117	1,264,783
Other Interest and Amortization	(82,352)	(50,400)	(6,852)	9,538	(61,504)	(9,252)
Total Other (Income) and Deductions	1,545,485	1,585,583	112,529	164,762	951,666	1,120,515
NET INCOME	5,796,810	5,747,048	\$ 773,371	\$ 620,283	\$ 3,717,527	\$ 3,360,337
Regular Common Dividends	3,642,300	3,137,400				
INCOME RETAINED	\$ 2,154,510	\$ 2,609,648				
Active Services	71,794	68,844				

AUGUST 2004

Exhibit "8"



City of Casa Grande

January 27, 2003

Mr. James Livingston, President
Arizona Water Company
3805 North Black Canyon Highway
Phoenix, AZ 85015-5351

SUBJECT: FRANCHISE

Dear Jim:

Thank you for your letter of January 16, 2003. I appreciate the opportunity to correct a misinterpretation of Ken Buchanan and Jerry Dixel's conversation as well as that of the expired franchise agreement.

The City has not changed its position on the review of Arizona Water's request for a franchise. Pursuant to state law, the City Council has not passed a resolution deeming the granting of a franchise to Arizona Water beneficial to the City. A.R.S. §9-502(B). The prior franchise expired on January 18, 2003.

You have additionally misinterpreted the provision of the expired franchise agreement quoted in your letter. The City of Casa Grande is not contesting that you may continue to operate Arizona Water facilities currently within the City rights-of-way. The prior franchise agreement does not, as your letter asserts, allow Arizona Water, however, to do so under the terms and conditions of an expired franchise agreement. You will be subject to the payment of the applicable transaction privilege tax but not the franchise fee set forth by the expired franchise agreement. Arizona Water and its contractors will be subject to the same types of fees and permit requirements of non-franchise users of the City's rights-of-way. For example, the City charges an inspection fee (3% of cost of construction project) upon right-of-way permit issuance to non-franchise holders. Arizona Water will be subject to this fee and any other right-of-way management regulations or use fees that may exist, or be adopted in the future, for right-of-way users. Additionally you do not have a blanket right to use of the right-of-way where you currently are not operating. Each new time you go into City right-of-way, you will need to do so under the terms of the then existing City policy.

01/27/2003 14:17 FAX 6022406878
01/27/03 MON 13:54 FAX 4218604

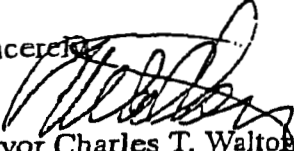
ARIZONA WATER CO
CITY CASA GRANDE

→ Bisbee

003/003
001

Please make sure that your staff or its contractors contact our City Engineering Department early in the decision making process for right-of-way work so that they can comply with the regulations.

Sincerely,


Mayor Charles T. Walton, Sr.

cc: Mayor Pro Tempore McCarville
Councilman Mitchell
Councilman Norris
Councilman Gugenberger
Councilman Miller
Ken Buchanan, Casa Grande City Manager
Kay Bigelow, Casa Grande City Attorney